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## Editorial: Is Dependency Dead?

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If the 1970s (in contrast to the optimistic 'sixties) were the decade of pessimism, in academic circles, about the prospects for capitalist development at the periphery, then it was the diffusion to the rest of the world of the gloomy views of the Latin American dependency school that was largely to blame.

Soon, however, the pendulum began to swing in the opposite direction: in recent years the dependency approach has come under sustained attack in the literature [eg Warren 1973, Lall 1975, Leys 1977], and its predictions have ostensibly been challenged by the rapid economic growth achieved recently by a number of underdeveloped countries, such as Brazil, South Korea, Singapore and Taiwan. This issue of the *Bulletin* looks at the question of whether the dependency approach can now in fact be pronounced dead. It consists partly of articles evaluating either the approach in general or the work of particular theorists, and partly of articles considering the implications of the experience and prospects of five reasonably successful peripheral economies—Iran, Costa Rica, South Korea, Singapore and Ireland.

There is some dispute about the origins of the school. In the popularised version

*two principal currents are generally cited: ECLA (the UNEconomic Commission for Latin America) and the Marxian and neo-Marxian North Americans (Baran, Sweezy and Frank). It is added, at times, that the 'dependentistas' . . . present different ideological standings, according to their proximity to ECLA (and to the 'petty-bourgeois nationalism' which is supposed to have derived from the ECLA studies) or to their more authentic opposition to capitalism, and hence their proximity to the thought of the Marxian economists referred to above.*

[Cardoso 1977:2]

Cardoso justifiably objects to this version, which gives inadequate weight to the longstanding tradition of Marxian thought in Latin America, to internal political debates within Latin American countries—and particularly within their Communist parties—on the role to be played by the national bourgeoisie, and to the influence of the Cuban revolution.

However, although the importance of ECLA in the development of dependency thinking may tend to be exaggerated, there is no denying that its economists

anticipated the dependency approach in various ways. Indeed the development economists of the fifties in general (Singer, Lewis, Mandelbaum, Rosenstein-Rodan and Nurkse, as well as Prebisch and his ECLA colleagues) were important in this respect in their prescription of disengagement from the international capitalist system—at least to the extent of planned, capitalist, import-substituting industrialisation behind a tariff or quota wall.

Parts of their theory survive more or less intact among dependency and underdevelopment theorists. For instance, the Emmanuel/Amin theory of unequal exchange could be regarded as a restatement in Marxist language of the Prebisch/Singer/Lewis analysis of the differing effects of productivity increases at centre and periphery arising from the differing degrees of competition in their product and labour markets. But, in common with other development economists and unlike the later dependency school, ECLA operated with a Harrod/Domar type of planning model and therefore looked favourably on foreign investment and aid as a means of easing the capital constraint. As well as adding to the capacity to import capital goods, foreign capital was seen as helping the balance of payments, reducing inflationary pressures and transferring technology.

Even Nurkse envisaged a role for foreign capital, although he was one of the few early development economists to anticipate the dependency emphasis on problems arising from *non-trade* contacts between central and peripheral countries. He pointed to the 'international demonstration effect' arising from the spread of knowledge in underdeveloped countries of the consumption standards of rich countries. Drawing a parallel with Duesenberry's work on the interdependence of individual consumption functions, Nurkse suggested that 'the presence or the mere knowledge of new goods and new methods of consumption tends to raise the general propensity to consume' and that 'the temptation to copy American consumption patterns tends to limit the supply of investible funds by inhibiting the willingness to save.' There is an obvious affinity here with the later emphasis on consumption patterns of, say, Sunkel or Furtado, but there *is* a difference. Nurkse was still operating within a Harrod/Domar framework and thus emphasising the demonstration effect only on the rate of saving and hence on the rate of growth. He recognised that disengagement from the international economy was logically implied by his

analysis but regarded this as a 'defeatist solution', preferring to try to raise the rate of saving by a compulsory saving scheme, backed up by foreign investment and aid.

It is not, perhaps, surprising that the development economists who seem to get closest to the dependency position are those who question the Harrod/Domar emphasis on capital as the sole constraint and emphasise rather the inadequacy of the inducement to invest. For example, Myrdal (whose 'circular-causation' challenge to equilibrium economics is an unacknowledged influence on dependency and 'uneven development' theory) drew attention to the fact that the need for capital in underdeveloped countries

*does not represent an effective demand in the capital market. Rather, if there were no exchange controls and if, at the same time, there were no elements in their national development policies securing high profits for capital—ie if the forces in the capital market were given unhampered play—capitalists in underdeveloped countries would be exporting capital.* [Myrdal 1957:53]

If the problem is seen to be on the side of the inducement to invest rather than of the supply of capital, then the logic of inviting an inflow of *foreign* capital is called into question. Hirschman [1971:227] raised this question explicitly: 'Could the inflow of foreign capital stunt what might otherwise be vigorous local development of the so-called missing or scarce factors of production?' His view was that it could—sometimes in an absolute sense, for instance through the foreign takeover of local banks or businesses, more often in relation to what might have happened in the absence of the foreign investment. His evidence for this was the fact that during wars, depressions, national expropriations and international sanctions, the domestic supply of entrepreneurs, managers, technology and saving seems to be 'far more elastic than is ever suspected under business-as-usual conditions.' His conclusion that 'a policy of selective liquidation and withdrawal of foreign private investment' would be in the best interests of Latin America would be endorsed by most dependency authors.

Where members of the dependency school part company from development economists (often their earlier selves) is in their rejection of modernisation theory; their analysis of the nation state not in isolation but in the context of the global evolution of capitalism; their incorporation of a strong historical dimension into their analysis; their endogenisation of the state as 'the crucial battleground between the different social groups' [Sunkel 1979:29]; and their use of a dialectical rather than an equilibrium mode of analysis. This difference in approach is reflected in the different set of questions

addressed by them. The most important of these questions, assumed away by 'modernisationist' development economists is: 'What are the limits on capitalist development at the periphery?'

The typical dependency answer to this question is, as already indicated, a gloomy one. None is more gloomy than Gunder Frank, perhaps unfortunately the author who has come to symbolise the dependency approach for readers outside Latin America. As Booth has pointed out [Oxaal et al 1975] Frank's analysis is less mechanistic and metropole-oriented than is usually supposed, emphasising 'the impregnation of the satellite's domestic economy with the same capitalist structure and its fundamental contradictions' as more important than 'the drain of economic surplus' from satellite to metropolis with which he is usually associated [Frank 1967:10]. However, he remains strongly insistent on the impossibility of capitalist development at the periphery:

*the economic basis of a developmentalist national bourgeois class . . . has been entirely eliminated or prevented from forming at all, thus precluding further or future development under capitalism . . . short of socialist revolution.* [Frank 1978:10]

While critical of Frank, most of the more orthodoxly Marxian dependency authors share his scepticism about the prospects for capitalist development at the periphery. For example, Dos Santos [1973] would put more emphasis than does Frank on the elements within a nation which determine the effects of international situations upon national reality and on the assimilation of the national bourgeoisie by foreign capital in the role of 'dominated dominators' and less on the surplus drain. He also emphasises the inability of peripheral societies to develop a capital goods sector as a defining characteristic. However, he would agree that capitalist development or at least *autonomous* capitalist development is not possible and that a socialist path offers the only escape for peripheral societies.

Similar conclusions are reached via a different route by those who analyse the plight of the periphery largely in terms of 'unequal exchange'. Thus Amin [1978] describes his 'peripheral model', based on low-wage exports and (in the consequent absence of an internal mass market) on the production of luxury goods for internal demand, with 'new' mechanisms of domination by transnational corporations superimposed; and regards it as a 'dead end', with no possibility of transition to a 'self-centred' system based on production of mass-consumption and capital goods. He sees self-

<sup>1</sup> The question was never perhaps directly addressed at this level of generality by the dependentistas. Much of their work was geographically localised and historically circumscribed, but this is the general question implicit in that work.

reliance, therefore, as a necessary strategy for transition to socialism. Marini [1972:14] extends a similar analysis to 'subimperialism' ('the form which dependent capitalism assumes upon reaching the stage of monopolies and finance capital') in Brazil. In this case the low-wage exports are of manufactured goods and the state takes an increasingly important role (in conjunction with foreign capital), but the whole system is crucially dependent on the superexploitation of labour. Successful pursuit of wage demands by urban and rural workers would 'close all exits for capitalist development in Brazil'.

Perhaps the gloomiest vision belongs to the 'marginality' writers within the dependency school, such as Quijano [1974] and Nun [1969]. In their view, the new 'hegemonic' monopolistic sectors are grafted on to, but not integrated with, the Latin American production matrix, bringing it permanently to the verge of breakdown. They suggest that competitive and monopoly capitalism are crucially different from each other, as far as labour absorption possibilities are concerned. Under competitive capitalism, technical change causes a fall in product price, which leads to a rise in demand for the product, which leads in turn to a rise in the demand for labour. Under monopoly capitalism, on the other hand, technical change does not result in a fall in price but partly in an increase in profits, partly in an increase in wages, which encourages stagnation in the demand for labour. Moreover, the fact that increases in productivity stem from technical change and not (as in Marx) from a lengthening in the working day breaks the link between surplus population and increases in productivity. And the fact that the labour force in the hegemonic sector is a non-competing group breaks the link with wage determination. So surplus population, on this analysis, is not a reserve but an excluded (and permanently excluded) labour force. This 'marginalised' labour force or 'marginal mass' is a *non-functional* surplus population — over and above what is necessary to perform a Marxian industrial-reserve-army role. This is a profoundly pessimistic, even catastrophic, vision, not only questioning the employment-generating performance of peripheral capitalism, but also denying its capacity to perform a historically progressive role.

The Caribbean dependency school (reviewed by Pantin below) is on the whole less pessimistic about the possibilities of capitalist development, as long as the plantation economy model is replaced by a localised or 'people's' capitalism. A notable exception is Thomas [1974], who points to the way in which colonialism led to a separation of the pattern and growth of domestic resource use from the pattern and growth of domestic demand; and to divergence between domestic demand and the needs of the broad mass of the population. Even in the case of the most successful small capitalist

economies at the periphery, he sees no real possibility of development 'beyond misleading rises in per capita income or indeed of even sustaining such advances on a long-term basis . . . unless a comprehensive socialist strategy is developed' [Thomas 1974:106]. He recognises, however, in 'some of the larger economies' the possibility of indigenous capitalist development of productive forces as a genuine alternative to socialism.

Perhaps the most complex member of the dependency school, so critical in his more recent writing of most of its conclusions as almost to place himself outside it, is Cardoso. Like other *dependentistas*, he emphasises the absence of capital goods and financial sectors, the import of technology and penetration by foreign enterprises as characteristics of dependency, which he defines as the situation 'when the accumulation and expansion of capital cannot find its essential dynamic component within the system' [Cardoso and Faletto 1979:XX]. However, he sees the relationship between external and internal forces as forming a

*complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones and, on the other side, are challenged by local dominated groups and classes.*

[Cardoso and Faletto 1979:XVI]

Most important in the context of this *Bulletin*, he refuses to place theoretical limits on capitalist development at the periphery. He sees dependent capitalism as capable of growth and of transforming social relations of production, although not of resolving the employment and poverty problems of the majority of the population. He insists, however, on the need to analyse particular situations rather than to develop general theories:

*we do not try to place theoretical limits on the probable course of future events. These will depend, not on academic predictions, but on collective action guided by political wills that make work what is structurally barely possible.*

[Cardoso and Faletto:175]

Which brings us to the question posed by this issue of the *Bulletin*: is dependency dead? The question can, of course, have various meanings. For instance: are the questions raised by the dependency school no longer of interest? Is the particular approach to answering those questions followed by members of the school no longer useful? Does the recent experience of a large number of developing economies refute the predictions of and therefore discredit the dependency school? The articles in this issue try to address all three of these questions in different ways.

The questions raised by the dependency school can be reduced essentially to two: what are the limits on capitalist development at the periphery, and, in determining those limits, what is the relative importance of external and internal variables, and how do these variables interact with each other? These questions seem to our contributors to be very much alive, although, as Bienefeld points out, there is a need for greater precision about the meaning both of 'capitalist development' and of the 'periphery'.

The answer to the second question—whether the dependency *approach* is any longer useful—is rather less clear. None of our contributors would presumably want to revert, on the one hand, to the view of neoclassical economics and modernisation theory that integration into the international capitalist system is always beneficial: or, on the other, to a faith in the 'progressive' role of the national bourgeoisie. Nor, however, would they accept the crude stagnationism which many critics of dependency seem to assume to constitute the entirety of the approach. Pantin's conclusion that the Caribbean plantation economy model is in need of searching analysis would be accepted as applicable to the whole dependency approach. And, while Cardoso might be seen as comparing favourably with Frank on grounds of subtlety, both Bienefeld and Rodriguez emphasise that the retreat from theory which he represents leaves enormous problems for those who want to go beyond *posthoc* description.

As for the five country case-studies, they certainly represent a challenge to the cruder versions of the

dependency approach. Those of Costa Rica, Ireland and Singapore emphasise that for very small economies there may be no realistic alternative to dependent integration into the international capitalist system as an exporter of primary products or of manufactured goods: and that the benefits from such integration may, under certain circumstances, not be negligible. The Iranian case can certainly not be described as one of stagnation: the Cardosan description of 'dependent development' seems to fit it better. Finally, what of South Korea, which might be regarded as posing the greatest threat to those who deny the capacity of another Third World economy to emulate Japan and become an internationally competitive industrial power? Dependency thinking has hardly been useful so far in explaining its emergence as a newly industrialising country, but in a modified form such thinking is seen as likely to throw up interesting questions about the Korean case.

The conclusion, then, of the articles here would seem to be that the 'straw man' of stagnationist *dependencia* is certainly dead: but that the questions raised by the *dependentistas* are still important: and that a start has been made in modifying the approach in a direction that would enable such cases as South Korea to be predicted rather than treated as *ad hoc* and special. However, there is a long way to go before such a theory of the articulation of external and internal variables in determining limits on capitalist development is successfully developed.

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**note:** for references, see bibliography at the end of this *Bulletin*.